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# **Governor Snyder unveils recommended budget to provide foundation for Michigan's reinvention**

*Decisive plan will energize economy and create jobs*

LANSING, MI – Governor Rick Snyder today presented to the Legislature his 2012 executive budget and a 2013 projected budget that brings state spending into line without any one-time funding fixes and creates a tax system that is simple, fair and efficient for both businesses and citizens.

Snyder, Lieutenant Governor Brian Calley and State Budget Director John Nixon outlined the recommendation to a joint session of the House and Senate appropriations, finance and tax policy committees.

“This is a comprehensive plan to lay a new, sound foundation for Michigan’s reinvention and put an end to the significant budget deficits that state has experienced for the past decade,” Snyder said. “It reflects difficult but necessary decisions that will result in a shared sacrifice, but ultimately will benefit citizens, families and communities through the economic growth and job creation that is generated. By stimulating the economy while preserving core, essential services and ensuring a safety net for those who are vulnerable, we’ll all move forward together.”

The Snyder plan restructures Michigan’s tax system, which includes the promised elimination of the Michigan Business Tax, to be replaced with a flat Corporate Income Tax set at 6 percent. The plan includes the scheduled reduction in the individual income tax rate from 4.35 percent to 4.25 percent. Because Michigan is one of only three states in the nation that exempts most or all of earned pension income, Snyder’s plan will broaden the base of taxpayers by including those earning private and public pensions. In addition, the plan eliminates all credits and deductions related to the individual income tax with the exception of the personal exemption, homestead property tax credit and other minor subtractions.

“This plan allows Michigan to emerge as a stronger, more vibrant state,” Calley added. “Our commitment to truth in budgeting requires the state to live within its means. This is the course correction that is needed to help businesses succeed and ensure that our citizens will have good-paying jobs. We are sending a loud message that Michigan is open, fair and stable for business.”

Highlights of the recommended budget include:

- The creation of a State Education Act that uses State School Aid Fund revenue as well as General Fund dollars to support the state's education system all the way through to higher education, while protecting community college funding.
- Medicaid eligibility is maintained and provider reimbursement rates are supported without reductions to preserve health care and access for those most vulnerable.
- A Medicaid budget that is funded at \$11.2 billion, reflecting the institution of a new 1 percent health care insurance assessment on all paid health care and dental insurance claims.
- The preservation of over \$1.4 billion in funding for programs that assist nearly 55,000 special education students, as well as \$1.2 billion for core education programs such as services for academically at-risk students and adult education.
- Protection of student financial aid at fiscal year 2011 levels (\$51.5 million) while creating the Pathway to Higher Education grant, to be awarded to needy qualifying students at public or private schools.
- An elimination of statutory revenue sharing payments for cities, villages and townships in fiscal year 2012 to be replaced with a new incentive-based revenue sharing program available to cities, villages and townships that meet state standards and adopt best practices. A 4-percent increase for total of \$659 million for constitutional revenue sharing payments to local units of government.
- Dedication of \$2.6 billion in both 2012 and 2013 to state and local bridge construction and maintenance projects.
- A lifetime limit of 48 months with exemptions for incapacity and hardship for families receiving cash assistance through the Department of Human Services' Family Independence Program.
- A restructuring of Department of State Police field services, allowing for the strategic closure of police posts across the state and the consolidation of dispatch centers and forensic laboratories.
- The creation of the IT Innovation Fund for technology improvements that create savings in state government and the creation of the Quality of Place Fund for the arts and cultural development.
- Administrative efficiencies in the Department of Corrections, including competitive bidding of food services and the elimination of the public works program.
- The elimination of the dairy farm inspection program within the Department of Agriculture, with that responsibility assumed by industry field representatives certified by the department to ensure food safety and public health.
- Revenue adjustments and administrative efficiencies in the Department of Environmental Quality, making programs self-supportive relative to the cost of regulation.
- Expansion of self-service options within the Department of State.
- The elimination of six trial court judgeships in the Judiciary budget.
- Employee concessions to be negotiated with represented employee organizations that result in savings of \$180 million.
- The elimination of the Michigan Film Credit, to be replaced with a \$25 million grant program recommended for appropriation in the Michigan Strategic Fund budget.

- Allocation of \$134 million to local governments as grants and loans for environmental cleanup and pollution prevention, including \$25 million for Great Lakes restoration efforts.
- A total of \$670 million for work force training and development programs.
- A total of \$340 million for regulatory and consumer protection.
- A total of \$75 million for the 21<sup>st</sup> Century Jobs Fund to promote economic development.
- A total of \$25 million for the Pure Michigan campaign to promote Michigan and enhance tourism.

“We’ve made tough decisions and I would call this a very responsible budget,” said Nixon. “I think it’s pretty clear that we are done kicking the can down the road, and I think a huge part of this story is that we are taking the first step to addressing Michigan’s burgeoning unfunded post-employment liabilities by putting aside \$400 million in a special reserve fund.”

The Snyder administration will now work in partnership with the members of the Michigan House and Senate to enact the budget.

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**EDITORS NOTE: The governor’s recommended budget and related material are available online at [www.michigan.gov/budget](http://www.michigan.gov/budget)**